

AMENDED IN SENATE SEPTEMBER 4, 2013

AMENDED IN SENATE JUNE 3, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 701

Introduced by Assembly Member ~~John A. Pérez Quirk-Silva~~
(Coauthors: Assembly Members Allen, Daly, Hagman, Harkey,
Mansoor, and Wagner)

(Coauthors: Senators Correa, Huff, Walters, and Wyland)

February 21, 2013

An act to amend Section 63021.5 of, and to add Section 63024.2 to, the Government Code, relating to economic development. An act to amend Section 97.70 of, and to repeal Section 97.80 of, the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 701, as amended, ~~John A. Pérez Quirk-Silva. California Infrastructure and Economic Development Bank.~~ General Subject: Local government finance: property tax revenue allocation: vehicle license fee adjustments: County of Orange.

Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined.

Existing property tax law requires that, for purposes of determining property tax revenue allocations in each county for the 1992–93 and

1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund in that county for allocation to school districts, community college districts, and the county office of education.

For the 2004–05 fiscal year and each fiscal year thereafter, existing law requires that each city, county, and city and county receive additional property tax revenues in the form of a vehicle license fee adjustment amount, as defined, from a Vehicle License Fee Property Tax Compensation Fund that exists in each county treasury. Existing law requires that these additional allocations be funded from ad valorem property tax revenues otherwise required to be allocated to each county’s Educational Revenue Augmentation Fund for the benefit of educational entities.

This bill would modify these reduction and transfer provisions, for the 2014–15 fiscal year, by increasing the vehicle license fee adjustment amount for the County of Orange by \$53,000,000.

This bill would direct the Department of Finance and the Chancellor of the California Community Colleges to work with the County of Orange, the county auditor-controller for the County of Orange, and intervenors in obtaining a judgment that is a final and complete resolution to a specified case in which all parties agree not to seek appellate review. The bill would include findings and declarations that an appropriate resolution would be for the County of Orange to repay specified amounts over a specified period.

By changing the manner in which property tax revenues are allocated by the county officials in the County of Orange, this bill would impose a state-mandated local program.

Existing law, for the 2009–10 fiscal year and for each fiscal year thereafter, requires the auditor of a qualified county, as defined, to increase the total amount of ad valorem property tax revenue otherwise required to be allocated to that county by the county equity amount, as defined, and to commensurately reduce the total amount of ad valorem property tax revenue otherwise required to be allocated to the Educational Revenue Augmentation Fund in the county, as specified.

This bill would repeal these provisions.

This bill would make legislative findings and declarations as to the necessity of a special statute for the County of Orange.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

~~Existing law establishes the California Infrastructure and Economic Development Bank in the Business, Transportation and Housing Agency. Existing law establishes that the board of directors of the bank consists of 5 members, as specified.~~

~~This bill would add a Member of the Assembly, or a designee of the member, and a Member of the Senate, or a designee of the member, as advisory members of the board. This bill would require the bank to serve as the primary state agency for purposes of developing an application for, and applying to, any federal infrastructure bank or financing authority.~~

~~This bill also would incorporate additional changes made by the Governor's Reorganization Plan No. 2 of 2012.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 97.70 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 97.70. Notwithstanding any other ~~provision~~ of law, for the
- 4 2004–05 fiscal year and for each fiscal year thereafter, all of the
- 5 following apply:
- 6 (a) (1) (A) The auditor shall reduce the total amount of ad
- 7 valorem property tax revenue that is otherwise required to be
- 8 allocated to a county's Educational Revenue Augmentation Fund
- 9 by the countywide vehicle license fee adjustment amount.
- 10 (B) If, for the fiscal year, after complying with Section 97.68
- 11 there is not enough ad valorem property tax revenue that is
- 12 otherwise required to be allocated to a county Educational Revenue
- 13 Augmentation Fund for the auditor to complete the allocation
- 14 reduction required by subparagraph (A), the auditor shall
- 15 additionally reduce the total amount of ad valorem property tax

1 revenue that is otherwise required to be allocated to all school
2 districts and community college districts in the county for that
3 fiscal year by an amount equal to the difference between the
4 countywide vehicle license fee adjustment amount and the amount
5 of ad valorem property tax revenue that is otherwise required to
6 be allocated to the county Educational Revenue Augmentation
7 Fund for that fiscal year. This reduction for each school district
8 and community college district in the county shall be the percentage
9 share of the total reduction that is equal to the proportion that the
10 total amount of ad valorem property tax revenue that is otherwise
11 required to be allocated to the school district or community college
12 district bears to the total amount of ad valorem property tax revenue
13 that is otherwise required to be allocated to all school districts and
14 community college districts in a county. For purposes of this
15 subparagraph, “school districts” and “community college districts”
16 do not include any districts that are excess tax school entities, as
17 defined in Section 95.

18 (2) The countywide vehicle license fee adjustment amount shall
19 be allocated to the Vehicle License Fee Property Tax Compensation
20 Fund that shall be established in the treasury of each county.

21 (b) (1) The auditor shall allocate moneys in the Vehicle License
22 Fee Property Tax Compensation Fund according to the following:

23 (A) Each city in the county shall receive its vehicle license fee
24 adjustment amount.

25 (B) Each county and city and county shall receive its vehicle
26 license fee adjustment amount.

27 (2) The auditor shall allocate one-half of the amount specified
28 in paragraph (1) on or before January 31 of each fiscal year, and
29 the other one-half on or before May 31 of each fiscal year.

30 (c) For purposes of this section, all of the following apply:

31 (1) “Vehicle license fee adjustment amount” for a particular
32 city, county, or a city and county means, subject to an adjustment
33 under paragraph (2) and Section 97.71, all of the following:

34 (A) For the 2004–05 fiscal year, an amount equal to the
35 difference between the following two amounts:

36 (i) The estimated total amount of revenue that would have been
37 deposited to the credit of the Motor Vehicle License Fee Account
38 in the Transportation Tax Fund, including any amounts that would
39 have been certified to the Controller by the auditor of the County
40 of Ventura under subdivision (j) of Section 98.02, as that section

1 read on January 1, 2004, for distribution under the law as it read
2 on January 1, 2004, to the county, city and county, or city for the
3 2004–05 fiscal year if the fee otherwise due under the Vehicle
4 License Fee Law (Pt. 5 (commencing with Section 10701) of Div.
5 2) was 2 percent of the market value of a vehicle, as specified in
6 Section 10752 and 10752.1 as those sections read on January 1,
7 2004.

8 (ii) The estimated total amount of revenue that is required to be
9 distributed from the Motor Vehicle License Fee Account in the
10 Transportation Tax Fund to the county, city and county, and each
11 city in the county for the 2004–05 fiscal year under Section 11005,
12 as that section read on the operative date of the act that amended
13 this clause.

14 (B) (i) Subject to an adjustment under clause (ii), for the
15 2005–06 fiscal year, the sum of the following two amounts:

16 (I) The difference between the following two amounts:

17 (Ia) The actual total amount of revenue that would have been
18 deposited to the credit of the Motor Vehicle License Fee Account
19 in the Transportation Tax Fund, including any amounts that would
20 have been certified to the Controller by the auditor of the County
21 of Ventura under subdivision (j) of Section 98.02, as that section
22 read on January 1, 2004, for distribution under the law as it read
23 on January 1, 2004, to the county, city and county, or city for the
24 2004–05 fiscal year if the fee otherwise due under the Vehicle
25 License Fee Law (Part 5 (commencing with Section 10701) of
26 Division 2) was 2 percent of the market value of a vehicle, as
27 specified in Sections 10752 and 10752.1 as those sections read on
28 January 1, 2004.

29 (Ib) The actual total amount of revenue that was distributed
30 from the Motor Vehicle License Fee Account in the Transportation
31 Tax Fund to the county, city and county, and each city in the county
32 for the 2004–05 fiscal year under Section 11005, as that section
33 read on the operative date of the act that amended this
34 sub-subclause.

35 (II) The product of the following two amounts:

36 (IIa) The amount described in subclause (I).

37 (IIb) The percentage change from the prior fiscal year to the
38 current fiscal year in gross taxable assessed valuation within the
39 jurisdiction of the entity, as reflected in the equalized assessment
40 roll for those fiscal years. For the first fiscal year for which a

1 change in a city's jurisdictional boundaries first applies, the
2 percentage change in gross taxable assessed valuation from the
3 prior fiscal year to the current fiscal year shall be calculated solely
4 on the basis of the city's previous jurisdictional boundaries, without
5 regard to the change in that city's jurisdictional boundaries. For
6 each following fiscal year, the percentage change in gross taxable
7 assessed valuation from the prior fiscal year to the current fiscal
8 year shall be calculated on the basis of the city's current
9 jurisdictional boundaries.

10 (ii) The amount described in clause (i) shall be adjusted as
11 follows:

12 (I) If the amount described in subclause (I) of clause (i) for a
13 particular city, county, or city and county is greater than the amount
14 described in subparagraph (A) for that city, county, or city and
15 county, the amount described in clause (i) shall be increased by
16 an amount equal to this difference.

17 (II) If the amount described in subclause (I) of clause (i) for a
18 particular city, county, or city and county is less than the amount
19 described in subparagraph (A) for that city, county, or city and
20 county, the amount described in clause (i) shall be decreased by
21 an amount equal to this difference.

22 (C) For the 2006–07 fiscal year and for each fiscal year
23 thereafter, the sum of the following two amounts:

24 (i) The vehicle license fee adjustment amount for the prior fiscal
25 year, if Section 97.71 and clause (ii) of subparagraph (B) did not
26 apply for that fiscal year, for that city, county, and city and county.

27 (ii) The product of the following two amounts:

28 (I) The amount described in clause (i).

29 (II) The percentage change from the prior fiscal year to the
30 current fiscal year in gross taxable assessed valuation within the
31 jurisdiction of the entity, as reflected in the equalized assessment
32 roll for those fiscal years. For the first fiscal year for which a
33 change in a city's jurisdictional boundaries first applies, the
34 percentage change in gross taxable assessed valuation from the
35 prior fiscal year to the current fiscal year shall be calculated solely
36 on the basis of the city's previous jurisdictional boundaries, without
37 regard to the change in that city's jurisdictional boundaries. For
38 each following fiscal year, the percentage change in gross taxable
39 assessed valuation from the prior fiscal year to the current fiscal

1 year shall be calculated on the basis of the city's current
2 jurisdictional boundaries.

3 *(2) For the 2013–14 fiscal year, the vehicle license fee*
4 *adjustment amount that is determined under subparagraph (C) of*
5 *paragraph (1) for the County of Orange shall be increased by*
6 *fifty-three million dollars (\$53,000,000). For the 2014–15 fiscal*
7 *year and each fiscal year thereafter, the calculation of the vehicle*
8 *license fee adjustment amount for the County of Orange under*
9 *subparagraph (C) of paragraph (1) shall be based on a prior fiscal*
10 *year amount that reflects the full amount of this one-time increase*
11 *of fifty-three million dollars (\$53,000,000).*

12 ~~(2)~~

13 (3) “Countywide vehicle license fee adjustment amount” means,
14 for any fiscal year, the total sum of the amounts described in
15 ~~paragraph~~ paragraphs (1) and (2) for a county or city and county,
16 and each city in the county.

17 ~~(3)~~

18 (4) On or before June 30 of each fiscal year, the auditor shall
19 report to the Controller the vehicle license fee adjustment amount
20 for the county and each city in the county for that fiscal year.

21 (d) For the 2005–06 fiscal year and each fiscal year thereafter,
22 the amounts determined under subdivision (a) of Section 96.1, or
23 any successor to that provision, shall not reflect, for a preceding
24 fiscal year, any portion of any allocation required by this section.

25 (e) For purposes of Section 15 of Article XI of the California
26 Constitution, the allocations from a Vehicle License Fee Property
27 Tax Compensation Fund constitute successor taxes that are
28 otherwise required to be allocated to counties and cities, and as
29 successor taxes, the obligation to make those transfers as required
30 by this section shall not be extinguished nor disregarded in any
31 manner that adversely affects the security of, or the ability of, a
32 county or city to pay the principal and interest on any debts or
33 obligations that were funded or secured by that city's or county's
34 allocated share of motor vehicle license fee revenues.

35 (f) This section shall not be construed to do any of the following:

36 (1) Reduce any allocations of excess, additional, or remaining
37 funds that would otherwise have been allocated to county
38 superintendents of schools, cities, counties, and cities and counties
39 pursuant to clause (i) of subparagraph (B) of paragraph (4) of
40 subdivision (d) of Sections 97.2 and 97.3 or Article 4 (commencing

1 with Section 98) had this section not been enacted. The allocations
2 required by this section shall be adjusted to comply with this
3 paragraph.

4 (2) Require an increased ad valorem property tax revenue
5 allocation or increased tax increment allocation to a community
6 redevelopment agency.

7 (3) Alter the manner in which ad valorem property tax revenue
8 growth from fiscal year to fiscal year is otherwise determined or
9 allocated in a county.

10 (4) Reduce ad valorem property tax revenue allocations required
11 under Article 4 (commencing with Section 98).

12 (g) Tax exchange or revenue sharing agreements, entered into
13 prior to the operative date of this section, between local agencies
14 or between local agencies and nonlocal agencies are deemed to be
15 modified to account for the reduced vehicle license fee revenues
16 resulting from the act that added this section. These agreements
17 are modified in that these reduced revenues are, in kind and in lieu
18 thereof, replaced with ad valorem property tax revenue from a
19 Vehicle License Fee Property Tax Compensation Fund or an
20 Educational Revenue Augmentation Fund.

21 *SEC. 2. Section 97.80 of the Revenue and Taxation Code is*
22 *repealed.*

23 ~~97.80. (a) Notwithstanding any other provision of law, for the~~
24 ~~2009–10 fiscal year and for each fiscal year thereafter, the auditor~~
25 ~~of a qualified county shall do both of the following:~~

26 ~~(1) Increase the total amount of ad valorem property tax revenue~~
27 ~~that is otherwise required to be allocated to that county by the~~
28 ~~county equity amount.~~

29 ~~(2) (A) Decrease the total amount of ad valorem property tax~~
30 ~~revenue that is otherwise required to be allocated to the county~~
31 ~~Educational Revenue Augmentation Fund by the county equity~~
32 ~~amount.~~

33 ~~(B) If, for any fiscal year, there is not enough ad valorem~~
34 ~~property tax revenue that is otherwise required to be allocated to~~
35 ~~a county Educational Revenue Augmentation Fund for the auditor~~
36 ~~to complete the allocation reduction required by subparagraph (A),~~
37 ~~the auditor shall additionally reduce the total amount of ad valorem~~
38 ~~property tax revenue that is otherwise required to be allocated to~~
39 ~~all school districts in the county for that fiscal year by an amount~~
40 ~~equal to the difference between the county equity amount and the~~

1 amount of ad valorem property tax revenue that is otherwise
2 required to be allocated to the county Educational Revenue
3 Augmentation Fund for that fiscal year. This reduction for each
4 school district in the county shall be the percentage share of the
5 total reduction that is equal to the proportion that the total amount
6 of ad valorem property tax revenue that is otherwise required to
7 be allocated to the school district bears to the total amount of ad
8 valorem property tax revenue that is otherwise required to be
9 allocated to all school districts in a county. For purposes of this
10 subparagraph, “school districts” do not include any districts that
11 are excess tax school entities, as defined in Section 95.

12 (C) Any reduction in the amount of ad valorem property tax
13 revenues deposited in the county’s Educational Revenue
14 Augmentation Fund as a result of subparagraph (A) shall be applied
15 exclusively to reduce the amounts that are allocated from that fund
16 to school districts and county offices of education, and shall not
17 be applied to reduce the amounts of ad valorem property tax
18 revenues that are otherwise required to be allocated from that fund
19 to community college districts.

20 (b) For purposes of this section:

21 (1) “Qualified county” means the county that, of all the counties
22 in the state, was allocated the lowest percentage of countywide ad
23 valorem property tax revenue for the 2006–07 fiscal year.

24 (2) “County equity amount” means thirty-five million dollars
25 (\$35,000,000) for each of the 2009–10 and 2010–11 fiscal years,
26 and fifty million dollars (\$50,000,000) for the 2011–12 fiscal year
27 and each fiscal year thereafter.

28 (e) For the 2009–10 fiscal year and for each fiscal year
29 thereafter, ad valorem property tax revenue allocations made
30 pursuant to Sections 96.1 and 96.5 shall not incorporate the
31 allocation adjustments made by this section.

32 *SEC. 3. (a) The Legislature hereby directs the Department of*
33 *Finance and the Chancellor of the California Community Colleges*
34 *to work with the County of Orange, the county auditor-controller*
35 *for the County of Orange, and the intervenors in obtaining a*
36 *judgment that is a final and complete resolution to Department of*
37 *Finance v. Grimes (Superior Court of California, Orange County*
38 *Case No. 30-2012-005595920-CU-WM-CJC) in which all parties*
39 *agree not to seek appellate review.*

(b) *The Legislature finds and declares that an appropriate resolution would be for the County of Orange to repay the amounts owed pursuant to the Department of Finance v. Grimes as follows:*

- (1) Five million dollars (\$5,000,000) in fiscal year 2014–15.*
- (2) Fifteen million dollars (\$15,000,000) in fiscal year 2015–16.*
- (3) Twenty-five million dollars (\$25,000,000) in fiscal year 2016–17.*
- (4) Fifty million dollars (\$50,000,000) in fiscal year 2017–18.*
- (5) Fifty-five million dollars (\$55,000,000) in fiscal year 2018–19.*

SEC. 4. The Legislature finds and declares that a special law is necessary and that a general law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique fiscal pressures being encountered by the County of Orange due to the decrease in the county's allocation of Vehicle License Fee revenues as a result of Chapter 35 of the Statutes of 2011.

SEC. 5. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

~~SECTION 1. Section 63021.5 of the Government Code is amended to read:~~

~~63021.5. (a) The bank shall be governed and its corporate power exercised by a board of directors that shall consist of the following persons:~~

- ~~(1) The Director of Finance or his or her designee.~~
- ~~(2) The Treasurer or his or her designee.~~
- ~~(3) The Director of the Governor's Office of Economic and Business Development or his or her designee, who shall serve as chair of the board.~~
- ~~(4) An appointee of the Governor.~~
- ~~(5) The Secretary of Transportation or his or her designee.~~
- ~~(6) A Member of the Assembly appointed by the Speaker of the Assembly and a Member of the Senate appointed by the Senate Committee on Rules. The Members of the Legislature shall be nonvoting and shall meet with and, except as otherwise provided by the California Constitution, advise the board, to the extent that their advisory participation is not incompatible with their duties~~

1 as Members of the Legislature. A Member of the Legislature
2 appointed under this paragraph may select a designee to serve in
3 his or her place.

4 (b) Any designated director shall serve at the pleasure of the
5 designating power.

6 (c) Three of the members shall constitute a quorum and the
7 affirmative vote of three board members shall be necessary for
8 any action to be taken by the board.

9 (d) A member of the board shall not participate in any bank
10 action or attempt to influence any decision or recommendation by
11 any employee of, or consultant to, the bank that involves a sponsor
12 of which he or she is a representative or in which the member or
13 a member of his or her immediate family has a personal financial
14 interest within the meaning of Section 87100. For purposes of this
15 section, "immediate family" means the spouse, children, and
16 parents of the member.

17 (e) Except as provided in this subdivision, the members of the
18 board shall serve without compensation, but shall be reimbursed
19 for actual and necessary expenses incurred in the performance of
20 their duties to the extent that reimbursement for these expenses is
21 not otherwise provided or payable by another public agency, and
22 shall receive one hundred dollars (\$100) for each full day of
23 attending meetings of the authority.

24 SEC. 2. Section 63024.2 is added to the Government Code, to
25 read:

26 63024.2. The bank shall serve as the primary state agency for
27 the purposes of developing an application for, and applying to,
28 any federal infrastructure bank or financing authority.